

## Message Text

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ACTION EB-07

INFO OCT-01 EA-07 NEA-10 ISO-00 AGRE-00 CIAE-00 COME-00  
INR-07 LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01  
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-----301135Z 030792 /12

P R 301015Z DEC 76  
FM AMEMBASSY NEW DELHI  
TO SECSTATE WASHDC PRIORITY 311  
INFO AMEMBASSY BANGKOK  
RUKOBTOXAMEMBASSY JAKARTA 807  
AMEMBASSY KUALA LUMPUR  
AMCONSUL MADRAS

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E.O. 11652: N/A  
TAGS: EPAP, ETRD, IN  
SUBJECT: INDIAN POSITION ON RUBBER STABILIZATION AGREEMENT

REF: (A) STATE 302726, (B) KUALA LUMPUR 7332

1. OUR REVIEW OF INDIAN RUBBER STATISTICS, PUBLIC STATEMENTS ABOUT STATE OF PRODUCTION, AND COMMENTS OF RESPONSIBLE OFFICIAL IN MINISTRY OF COMMERCE CONFIRM ANALYSIS OF ANRPC SECRETARY GENERAL (REFTEL B). WHILE PRODUCTION IS GROWING, INDIA DOES NOT INTEND TO BECOME SIGNIFICANT EXPORTER IN FORESEEABLE (I.E. NEAR TO MEDIUM TERM) FUTURE.
2. DEPUTY SECRETARY S.S. BOPARAI OF THE COMMERCE MINISTRY, WHO HANDLES RUBBER ALONG WITH MORE CONSEQUENTIAL TEA AND COFFEE, TOLD EMBOFF THAT GOI HAD NOT SIGNED RUBBER STABILIZATION AGREEMENT BECAUSE IT DID NOT EXPECT TO ESTABLISH REGULAR EXPORT TRADE OF ANY SIZE. (INDEED, HE THOUGHT INDIAN DELEGATION HAD NOT ATTENDED JAKARTA MEETING). EFFORTS TO IMPROVE RUBBER YIELDS HAD BROUGHT ABOUT STRONG GROWTH IN RUBBER PRODUCTION,  
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ALL OF WHICH HAD BEEN INTENDED TO MEET DOMESTIC CONSUMPTION NEEDS. TIRE INDUSTRY, HOWEVER, HAD BEEN ESPECIALLY HARD HIT BY SLOW DOWN IN ECONOMIC GROWTH IN 1975-76, AND UNEXPECTED SURPLUS OF RUBBER HAD DEVELOPED. THIS SURPLUS HAD DEPRESSED DOMESTIC PRICE TO SUCH AN EXTENT THAT GOVT HAD ALLOWED LIMITED FOREIGN SALES AS A RELIEF TO RUBBER PRODUCERS. LOOKING TO FUTURE,

BOPARAI EXPECTED THIS POLICY WOULD CONTINUE. IN VIEW OF RESURGENCE OF ECONOMY DURING 1976, HOWEVER, GAP BETWEEN PRODUCTION AND CONSUMPTION MIGHT WELL BE CLOSED AND WOULD IN ANY EVENT REMAIN NARROW. THE GOVT HAD NO PLANS TO DEVELOP OR OTHERWISE ENCOURAGE FURTHER INCREASE IN RUBBER PRODUCTION FOR EXPORT PURPOSES.

3. IN ADDRESS TOMAJORPLANTERS ASSOCIATION LAST SEPTEMBER, THE CHAIRMAN OF THE INDIAN RUBBER BOARD, K.M. CHANDY, PRESENTED REVIEW OF DEVELOPMENTS AND PROBLEMS IN RUBBER PRODUCTION AREA CONSISTENT WITH BOPARAI'S REMAKS. CHANDY COMPLAINED OF INABILITY OF TIRE AND OTHER ELEMENTS OF MANUFACTURING INDUSTRY TO ACCURATELY PROJECT CONSUMPTION NEEDS AND THEIR UNWILLINGNESS TOMAINTAIN LEVEL OF RAW MATERIAL STOCKS REQUESTED BY GOVT. DEBATE AMONG RUBBER PRODUCERS AND CONSUMERS AND GOVT HAS OVER THE MONTHS CENTERED ON APPROPRIATE LEVEL OF STOCKS, AND GOI DECISIONS ON EXPORTS HAVE REFLECTED CURRENT STATE OF THAT DEBATE. FOR EXAMPLE, CHANDY ANNOUNCED GOVT WAS CONSIDERING DOMESTIC BUFFER STOCK INTENDED TO ABSORB UP TO ONE MONTH'S CONSUMPTION. UNDER THISSCHEME, EXPORTS WOULD BE AUTHORIZED WHENEVER (AND ONLY WHEN) COMPLETION OF BUFFER STOCK FAILED TO BRING DOMESTIC PRICE ABOVE DESIRED MINIMUM. CHANDY CONCLUDED, "I CAN ENVISAGE A SITUATION WITHIN A FEW YEARS, WHEN THE MANUFACTURING INDUSTRY WOULD VERY WELL CATCH UP WITH THE PRODUCTION OF RUBBER IN THE COUNTRY, WHEN SUPPLY AND DEMAND WOULD BE PROPERLY BALANCED. TIDING OVER THE INTERIM PERIOD IS OUR IMMEDIATE PROBLEM".

4. MOST RECENT DEVELOPMENT IN DEBATE ON STOCK ISSUE HAS BEEN GOVT'S DECISION TO REDUCE TARGET FROM FOUR MONTHS' CONSUMPTION TO THREE MONTHS, AND TO AUTHORIZE EXPORT OF AVAILABLE AMOUNTS ABOVE THAT TARGET. AS A RESULT, ESTIMATES OF NATURAL RUBBER EXPORTS IN INDIAN FISCAL YEAR 1976-77 (ENDING MARCH 31) LIMITED OFFICIAL USE

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IS 15,000 METRIC TONS, CONSIDERABLY ABOVE PREVIOUS HIGH OF 1835 METRIC TONS IN 1973-74  
SCHNEIDER

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## Message Attributes

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